



Committed to the future of rural communities.

Housing Programs

Direct Loans - 502 Program

Program Objective

By providing reduced interest rates for low and very low income families with little or no down payment, this program enables families that may otherwise not qualify, to purchase a home.

Loan Leveraging

Due to limited Federal funding, direct loans are generally leveraged with funding from other sources, usually a local lender.

By combining direct loans with other sources, the agency can assist more borrowers. For this reason, leveraged loans are a priority.

Although the applicant will have two separate loans, only one application is required.

The local lender completes the credit reports and appraisals, and partners with Rural Development to ensure that there is only one loan closing.

Loan and Applicant Requirements

To qualify for a direct loan, you must be a US citizen or a legally admitted non-citizen, who does not currently own an adequate dwelling.

Applicants must be legally able to enter into a loan agreement and be unable to obtain financing from other commercial sources.

Each applicant must have dependable income and must submit a complete copy of their most recent Federal income tax return.

Applicants adjusted annual income cannot exceed the low income limit.

Applicants must be able to show adequate repayment ability using principal, interest, taxes, and insurance (PITI) and total debt (TD) to income ratios.

For applicants in the very-low income

category, ratios cannot exceed 29% PITI and 41% TD. Low income applicants cannot exceed 33% PITI and 41% TD.

Favorable credit history is required. A credit report will be requested for each applicant.

Net assets will be reviewed and cannot exceed \$7,500 (\$10,000 for senior citizens).

Applicants must plan to personally occupy the dwelling on a permanent basis.

USDA Rural Development Montana
TDD (406) 585-2562
www.rurdev.usda.gov/mt/

W.T. (Tim) Ryan
State Director
Bozeman, MT (406) 585-2580

Deborah Chorlton,
Housing Programs Director
Bozeman, MT (406) 585-2515

The USDA is an Equal Opportunity
Provider and Employer.
Complaints of discrimination
should be sent to:
USDA, Director,
Office of Civil Rights
1400 Independence Ave. SW
Washington, DC 20250-9410
800-795-3272 (voice) 202-720-6382 (TDD)



In addition, the value of the site cannot exceed 30% of the total market value of the property.

Loan Terms

The graduated interest rate for Direct Loans changes periodically, so contact your local office for the current rate.

Payment assistance may be available for some applicants, allowing them to pay either 22%, 24%, or 26% of their adjusted family income for mortgage payments.

The term of the loan is 33 years, and can be extended to 38 years for very-low income families if necessary.

Only new manufactured homes can be financed. The term for new manufactured homes is 30 years.

In all cases, the maximum loan amount is the appraised value of the home, or the maximum loan limit of \$132,000, whichever is lower.

For More Information

If you would like more information about how USDA Rural Development can help you purchase a home, please contact the nearest USDA Rural Development Area or State Office.

Home Requirements

In addition to applicant requirements, there are also certain requirements for the proposed home.

The home must provide modest, decent, safe, and sanitary housing for the applicants.

Loans cannot be made on existing manufactured homes.

The cost of the home cannot exceed the maximum limits for the state or county where the home is located.

The home must be located in a designated rural area to qualify for financing.

Rural areas include open country and communities with populations of less than 10,000 and are rural in character but not closely associated with urban areas.

Under some conditions, loans can be made in areas of up to 20,000 in population which are not located within a metropolitan statistical area.

Ineligible areas in Montana include Billings, Great Falls, Missoula, Helena, and Bozeman.

Homes with an in-ground swimming pool or other structures designed for income-producing purposes are ineligible.

Area Offices

Billings

Jared Kaiser
(406) 657-6297, ext 4

Bozeman

Tom Atkins
(406) 585-2530

Helena

Cindy Donnell
(406) 449-5000, ext 4

Great Falls

Suzie David
(406) 727-7580, ext 4

Kalispell

Vacant
(406) 752-4242, ext 4

Missoula

Chris VanRonk
(406) 829-3395, ext 4